

October 19, 2006

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Bingham McCutchen LLP
Suite 300
3000 K Street NW
Washington, DC
20007-5116

Re: Notification *Ex Parte* of Neutral Tandem, Inc.
WC Docket No. 06-159

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Federal Communications Commission's ("Commission") Rules, 47 C.F.R. § 1.1206, this letter serves to provide notice that on October 18, 2006, the undersigned along with Rian Wren and Ronald Gavillet of Neutral Tandem, Inc. ("Neutral Tandem") spoke with Julie Veach of the Wireline Competition Bureau via teleconference.

The purpose of this conversation was to discuss issues concerning Neutral Tandem's Motion for Interim Order filed in the above-referenced docket. Neutral Tandem emphasized that its dispute with Verizon Wireless is not appropriate for consideration under the Commission's Intercarrier Compensation proceeding for several reasons.

First, commenters in this proceeding, including AT&T, have correctly recognized that this is a two-carrier dispute not suitable for consideration as a general rulemaking in that docket.¹ The logical extension of Verizon Wireless' suggestion would be that the FCC should not rule for years on any interconnection request while the multi-year Intercarrier Compensation proceeding remains open. Such a result is clearly not in the public interest.

Second, there is also an overwhelming record of public interest in this proceeding in support of Neutral Tandem's position, and consideration of this matter in the Intercarrier Compensation proceeding would unreasonably delay the public interest benefits interconnection would provide, including immediate improvement in the redundancy of the PSTN. This delay in hardening the PSTN in light of the Katrina Report would be inconsistent with the statements Chairman Martin made to the Senate in his recent confirmation hearings regarding the importance of homeland security, public

¹ See, e.g., Reply Comments of AT&T, at 8 n.26 (noting that the merits of the Missoula Plan do not warrant delay of an individual carrier's interconnection request with another carrier).

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safety and emergency preparedness.² As established in the comments by many parties--including the New York Department of Public Service, the City of Chicago, and the Illinois Commerce Commissioner--homeland security considerations necessitate that carriers act as quickly and efficiently as possible to establish redundant facilities across the country's telecommunications infrastructure. There should be no unnecessary delay.

Thus, the FCC should not let perfect be the enemy of the good by delaying consideration of this petition for the Intercarrier Compensation proceeding, especially when the public interest benefits of increased network redundancy are so overwhelming.

Moreover, Neutral Tandem would accept a "change of law" provision in its termination agreement with Verizon Wireless to accommodate any potential development when and if the FCC issues an order in the Intercarrier Compensation plan impacting the requested direct connection.

For the Commission's convenience, Neutral Tandem also attaches hereto recent articles concerning Neutral Tandem's petition. Pursuant to the Commission's Rules, this letter is being filed in the above-captioned proceeding for inclusion in the public record. Should you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

/s/
Russell M. Blau

Counsel for Neutral Tandem, Inc.

Attachments

cc: Rian Wren (Neutral Tandem)
Ronald Gavillet (Neutral Tandem)
Thomas Navin (FCC)
Julie Veach (FCC)

² See Written Statement of the Honorable Kevin J. Martin, Chairman Federal Communications Commission, Before the Committee on Commerce, Science & Transportation, U.S. Senate, at 4, September 12, 2006).

Attachment A

James Carlini, *Network Reliability, Redundancy Coming With Competitor Resistance*,
MIDWESTBUSINESS.COM (Oct. 18, 2006)

Network Reliability, Redundancy Coming With Competitor Resista

Published on 10/18/2006

Carlini's Comments, *MidwestBusiness.com's* oldest column, runs every Wednesday. Its mission is to offer the common man's view on business and technology issues while questioning the leadership and visions of "pseudo" experts.

CHICAGO – Building a better network infrastructure should be everyone's concern. Why do we still have obstructionists?



Making network infrastructure more reliable since Sept. 11, 2001 should be everyone's goal whether you're part of the government, a network carrier or a business with mission-critical network needs. This endeavor should transcend any petty competitive issue. Having the best network infrastructure globally is a matter of national defense as well as strategic national economic development.

A Chicago start-up called [Neutral Tandem](#) has been [assembling](#) a tandem network that can route calls differently than the original Bell infrastructure that has been the backbone of the *public switched telephone network* (PSTN). A best practice for today is that you don't want to route all your traffic over one carrier.



You want route and carrier diversity to maintain the highest standards of reliability and redundancy. These are standard concepts for network design that you would think everyone would embrace. Unfortunately, there are still some carriers that would rather keep turfs closed over general connectivity and the national interest.

Package Traffic vs. Packet Traffic

A good analogy would be to look at what happened when UPS went on strike several years ago. If your organization had everything going out through UPS, you were out of luck. If UPS split some of that traffic up and sent it through FedEx, you would not have been totally out of commission. Network traffic is no different than package traffic. Having routing diversity and carrier diversity makes for a more robust solution.

Some people figure this out from a strategic planning standpoint and develop guidelines for business continuity in the face of any disasters.

The vast majority let the disaster happen and then try to figure out disaster recovery after the fact. With the swiftness of today's business climate, you can't rely on disaster recovery efforts any more. Planning ahead, which would include having routing and carrier diversity, is the new rule of thumb.

In an [earlier column](#) about network infrastructure and connectivity, I put forth some questions about the development of new network infrastructures and funding of those initiatives:

Who is putting their money where their mouth is? There are many organizations looking at various solutions for upgrading network infrastructures and most are in the planning stages. Where is the real investment and implementation presently going on?

This is from a [recent Chicago Tribune](#) article about neutral networks:

Alone among big cell-phone operators, Verizon Wireless objects to linking to Neutral Tandem's network. Neutral Tandem has taken the matter to the [FCC and argues] that Verizon Wireless not only is being anti-competitive, but its stance threatens the nation's homeland security.

Neutral Tandem executive vice president and co-founder Ron Gavillet conceived of the alternative switching network a few years ago when he realized that tandem switches, which are used by telecom companies to exchange network traffic with each other, were becoming a new bottleneck to the industry.

"Tandem switches were all owned and operated by Bell companies," Gavillet said, "and they had no incentives to upgrade the switches with new technology because that would primarily benefit their competitors."

Most telecom traffic has shifted from the traditional wired networks operated by Bell companies [and has first

moved] to wireless carriers and more recently also to Internet telephony and voice services operated by cable television providers. All these newcomers have been dependent on incumbent Bell firms through their tandem switches.

Major Municipalities

This is a subject that is spilling over into municipal concerns. They are in front asking for the FCC to take a close look at this. New York City and Chicago have filed comments with the FCC and both cities are concerned with what happens if some disaster occurs. As I have stated in the past, one-in-a lifetime disasters tend to happen every year.

You only have to take a close look at the debacle in New Orleans and Louisiana to understand what happens when communications are cut off for whatever reason and the agencies and remaining infrastructure is unprepared to handle the results.

Network architectures have to be updated. This is no small task.

Pumping millions if not billions of dollars to upgrade the network infrastructure of a city, a county or even a state has to be considered as a given rather than something that's just hoped for in competing global economy. If there is a company willing to step up to do some of this upgrade, why are other incumbents resisting those efforts?

Wireless is not the universal solution. The total cost of a real network is substantially more than some wireless routers. Basic design concepts that go back to developing the PSTN state that you do not want to put all of your eggs in one basket.

There will be more people questioning the stubbornness of some carriers that resist improvements on the whole network infrastructure. It is encouraging to see there are concerns emanating out of cities. Some are starting to understand that the network infrastructure is becoming a critical concern as the platform for continuing and expanding commerce.

Carlism: Rules of thumb can become obsolete.

James Carlini will be the keynote speaker at the Justice: Media, Wireless & You symposium from Oct. 21 to 23 in Milwaukee. Details can be found [here](#).

Check out the blog of James Carlini at <http://www.carliniscomments.com>.

James Carlini is an adjunct professor at [Northwestern University](#). He is also president of [Carlini & Associates](#). Carlini can be reached at james.carlini@sbcglobal.net or 773-370-1888.

» [Click here for Carlini's full biography.](#)

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Attachment B

Jon Van, *Tandem Approach Connects; Start-Up Picking Up Customers, Taking on Verizon Wireless*, CHICAGO TRIB. (Sept. 30, 2006), available at:



<http://www.chicagotribune.com/business/chi-0609300061sep30,0,4583790.story?coll=chi-newsnationworld-hed>

Tandem approach connects

Start-up picking up customers, taking on Verizon Wireless

By Jon Van
Tribune staff reporter

September 30, 2006

Working quietly to avoid attention, a Chicago start-up has assembled a telephone-switching network that mirrors facilities operated by giants like AT&T Inc. and Verizon Communications Inc., offering a competitive alternative.

The idea seemed so attractive that the company, Neutral Tandem Inc., feared if others learned of it, they'd start their own alternative switching network. But now that Neutral Tandem has signed up several carriers and is profitable, that worry has receded, and the company is emboldened to raise its profile by joining a regulatory battle with one of the industry's heaviest hitters, Verizon Wireless.

Alone among big cell-phone operators, Verizon Wireless objects to linking to Neutral Tandem's network. Neutral Tandem has taken the matter to the Federal Communications Commission, arguing that Verizon Wireless not only is being anti-competitive, but its stance threatens the nation's homeland security.

Neutral Tandem's executive vice president and co-founder, Ron Gavillet, conceived of the alternative switching network a few years ago when he realized that tandem switches, which are used by telecom companies to exchange network traffic with each other, were becoming a new bottleneck to the industry.

"Tandem switches were all owned and operated by Bell companies," said Gavillet, "and they had no incentives to upgrade the switches with new technology because that would primarily benefit their competitors."

Swift growth

Most telecom traffic has shifted from the traditional wired networks operated by Bell companies, moving first to wireless carriers and more recently also to Internet telephony and voice services operated by cable television providers. But all these newcomers have been dependent on incumbent Bell firms through their tandem switches.



So in the past when a customer of Comcast's cable phone service in Chicago called a friend's U.S. Cellular phone, that call traveled through a tandem switch owned by AT&T, which collected a small fee. Now that same call goes from Comcast's network to U.S. Cellular using Neutral Tandem, which collects a fee usually smaller than what AT&T charges.

After two years, Neutral Tandem has much of its network in place, and it's still expanding nationally.

"We have 100 employees, half in Chicago, and are now connected to 115 million phone numbers off of some 500 switches we connect with," said Gavillet.

Neutral Tandem is connected to networks operated by Cingular Wireless, Sprint Nextel, T-Mobile, U.S. Cellular and other wireless carriers, as well as cable companies and competitive exchange carriers. It also has a few connections to Verizon Wireless under an agreement that recently expired.

Verizon Wireless wants to disconnect existing connections and forbid any new ones, arguing that the government has refrained in the past from requiring wireless carriers to interconnect against their will. Verizon has argued to the FCC that the matter should be decided as part of the larger issue involving how much carriers pay one another to carry each other's traffic.

Carolyn Schamberger, a Verizon Wireless spokeswoman, said the carrier wants to disconnect from Neutral Tandem because it believes there are more efficient ways to interconnect with other carriers.

"Our decision was motivated by the desire to offer the best wireless service with great value to wireless customers," she said.

Neutral Tandem has asked the FCC to allow it to connect to Verizon Wireless at its own expense so the company can deliver calls from other carriers. It wouldn't require Verizon Wireless to send any calls the other way or pay Neutral Tandem fees.

Duplication a plus

Such an arrangement not only would aid competition, but it also would provide redundancy, said Rian Wren, Neutral Tandem's chief executive.

"During the New York City attacks on 9/11 and again last year during Katrina, we saw that when the Bell's tandem switch got knocked out, everyone lost telecom service," said Wren. "It just makes sense to have an alternative connection out there, located in a different place."

Although it's a tiny company in a land of telecom giants, Neutral Tandem's FCC petition has won support from many others, including AT&T and the New York State Department of Public Service.

While network redundancy wasn't really part of Neutral Tandem's business model, it's turned out to be a major side benefit, said Gavillet.

"We spent private funds for a business purpose that just happens to also boost homeland security," he said. "That's an unusual outcome."

Network redundancy does enhance the phone business, said Terry Barnich, a Chicago-based telecom consultant.

"Some businesses and, especially, governments are now writing into their contracts that they want their telecom provider to have network redundancy," Barnich said. "We've found a tremendous demand for providing wholesale transport from non-Bell companies."

Among Neutral Tandem's earliest customers was Globalcom Communications Inc., a Chicago-based competitive wireline carrier that caters to business customers. John Shave, Globalcom's CEO, said Neutral Tandem is a welcome addition to the market.

"They're a neutral third party that's strictly in the wholesale business, unlike AT&T, which is our major competitor," Shave said. "We connect to AT&T's tandem switches, but we never get the feeling that they want us as customers."

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